

Interstate Commerce Commission
Washington, D. C.

9-129A032
No. 9 1979
Date.....
Fee \$ 50.00
ICC Washington, D. C.
RECORDATION NO. 0354 Filed 1425
MAY 9 1979 - 12 15 PM

Gentlemen:

Enclosed for recordation under the provisions of 49 U.S.C. §11303 are the original and 14 counterparts of an Equipment Sublease dated as of July 15, 1978.

A general description of the railroad rolling stock covered by the enclosed document is set forth in Schedules A-1, A-2 and A-3 attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: United States Lease Financing, Inc.
633 Battery Street
San Francisco, California 94111
Lessee: Stockton Terminal and Eastern
Railroad
24 California Street
San Francisco, California 94111

The undersigned is the Lessor under the Sublease and has knowledge of the matters set forth therein.

Please return the original and 12 copies of the Equipment Sublease to Terrence M. Walsh, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Dated:

Very truly yours,

UNITED STATES LEASE FINANCING, INC.

By

Its

LESSOR AS AFORESAID

Enclosures

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I.C.C.

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SCHEDULE A-1

Description of Equipment

| <u>Number of Items</u> | <u>Description</u> | <u>Identifying Mark and Number</u> |
|----------------------------|------------------------------------------|-------------------------------------------------|
| 56 | 52'6" 70-Ton Insulated "RBL" Box Cars | STE 1908 through STE 1963, both inclusive |

SCHEDULE A-2

Description of Equipment

| <u>Number of Items</u> | <u>Description</u> | <u>Identifying Mark and Number</u> |
|----------------------------|------------------------------------------|-------------------------------------------------|
| 28 | 52'6" 70-Ton Insulated "RBL" Box Cars | STE 1964 through STE 1991, both inclusive |

SCHEDULE A-3

Description of Equipment

| <u>Number of Items</u> | <u>Description</u> | <u>Identifying Mark and Number</u> |
|----------------------------|------------------------------------------|-------------------------------------------------|
| 16 | 52'6" 70-Ton Insulated "RBL" Box Cars | STE 1992 through STE 2007, both inclusive |

10354-A

RECORDATION NO. Filed 1425

MAY 9 1979 -12 15 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT SUBLEASE

Dated as of July 15, 1978

BETWEEN

UNITED STATES LEASE FINANCING, INC.

SUBLESSOR

AND

STOCKTON TERMINAL AND EASTERN RAILROAD

SUBLESSEE

(USFLI Trust No. 6)

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Attachments to Equipment Sublease:

Schedule A - Description of Items of Equipment
Schedule B - Certificate of Acceptance
Schedule C - Schedule of Casualty Values

EQUIPMENT SUBLEASE

THIS EQUIPMENT SUBLEASE ("this Lease" or "Equipment Sublease") dated as of July 15, 1978 between UNITED STATES LEASE FINANCING, INC., a California corporation, as sublessor (the "Lessor"), and Stockton Terminal and Eastern Railroad, a California corporation, as sublessee (the "Lessee");

R E C I T A L S:

A. Pursuant to a Purchase Order Assignment dated as of July 15, 1978, the Lessee has assigned to Wells Fargo Bank, National Association, as Trustee under USLFI Trust No. 6 (the "Owner-Trustee"), its right to purchase the Equipment referred to below.

B. The Owner-Trustee is purchasing from Pacific Car and Foundry Company (the "Manufacturer") said Equipment and is leasing the same, as lessor, to the Lessor hereunder, as lessee, pursuant to an Equipment Lease dated as of July 15, 1978 (the "Primary Lease") between the Owner-Trustee and the Lessor.

C. The Owner-Trustee, the Lessor and the Lessee have entered into a Participation Agreement dated as of July 15, 1978 (the "Participation Agreement") with: United States Leasing International, Inc., as Guarantor (the "Lease Guarantor") of the obligations of the Lessor under the Participation Agreement and as lessee under the Primary Lease pursuant to a Guaranty of Lease substantially in the form attached to the Participation Agreement as Exhibit D; Stockton Terminal Corporation, as Guarantor (the "Sublease Guarantor") of the obligations of the Lessee under the Participation Agreement and hereunder pursuant to a Guaranty of Sublease substantially in the form attached to the Participation Agreement as Exhibit E (the "Sublease Guaranty"); City National Bank and California First Bank, as beneficial owners of the Equipment (the "Owners"); and Nationwide Life Insurance Company, Indianapolis Life Insurance Company and Berkshire Life Insurance Company, as Purchasers (the "Note Purchasers") of the 9.25% Secured Notes (the "Notes") of the Owner-Trustee issued to finance the purchase of the Equipment. The Participation Agreement contemplates that the Owner-Trustee will acquire the Equipment and lease it to the Lessor under the Primary Lease, and that the Lessor will simultaneously sublet the Equipment to the Lessee hereunder. The Owner-Trustee will obtain funds for the purchase of the Equipment from advances by the Owners in an aggregate amount equal to 35.7970% of the Purchase Price (as defined in the Participation Agreement) of the Equipment and from the issue and sale to the Note Purchasers of Notes in an aggregate principal amount equal to the balance of said Purchase Price, all subject to the limitations and conditions set forth in the Participation Agreement. The Participation Agreement further contemplates that the rents and other sums due and to become due hereunder and under the Sublease Guaranty will be assigned by the

Lessor to the Owner-Trustee under and pursuant to Section 16 hereof and Section 20 of the Primary Lease as collateral security for the obligations of the Lessor, as lessee thereunder, and that said rents and other sums will be reassigned (together with an assignment of the rents and other sums due and to become due under the Primary Lease and under the Lease Guaranty and a grant of a security interest in and to the Equipment) by the Owner-Trustee to the Note Purchasers, all as security for the Notes under and pursuant to separate Security Agreements (the "Security Agreements") from the Owner-Trustee to the Note Purchasers, respectively, substantially in the form attached to the Participation Agreement as Exhibit G.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. The Lessor is leasing certain equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedule A attached hereto and made a part hereof for a term of approximately 17 years, with certain rights to renew the same thereafter, and, upon delivery of each Item of Equipment by the "Manufacturer", the Lessor shall sublease and let such Item of Equipment to the Lessee for the rental and on and subject to the terms and conditions herein set forth.

1.2. Delivery and Acceptance of Items. The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment on behalf of the Lessor and the Owner-Trustee, to accept such Item under this Lease and to execute and deliver to the Lessor, the Owner-Trustee and the Manufacturer a Certificate of Acceptance in the form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Item of Equipment; provided, however, that the Lessee shall not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered after the Outside Delivery Date therefor set forth in Schedule A hereto or any Item of Equipment with respect to which the payment therefor by the Owner-Trustee would cause the purchase price for such Item and all Items of Equipment previously delivered to and accepted on behalf of the Owner-Trustee to exceed \$5,665,000. The Lessee shall remain responsible for and shall be liable to the Lessor for any Item accepted by such inspector which is not actually in good order and in conformance with Section 1.3 hereof and the other requirements of this Lease relating to the condition or use of such Item.

1.3. Lessee's Satisfaction with Equipment; Conformance with Specifications and Requirements. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that such Item of Equipment is acceptable to and

accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards required or recommended by the Association of American Railroads applicable to new railroad equipment qualified for interchange of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor, on the dates provided in Section 2.2 hereof, for each Item of Equipment leased hereunder, 204 consecutive monthly payments of rental (the "Fixed Rental"), payable in arrears each in an amount equal to .814189% of the Purchase Price thereof.

2.2. Rental Payment Dates. The first installment of Fixed Rental for each Item of Equipment shall be due and payable on the 17th of December, 1979 and on the 17th day of each calendar month thereafter to and including November 17, 1996. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "Term Lease Commencement Date" means November 17, 1979, and the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of California are authorized or required to close.

2.3. Place of Rent Payment. The Lessor instructs the Lessee to make all payments due hereunder as follows:

(a) So long as no Event of Default under the Primary Lease has occurred and is continuing to the knowledge of the Lessee, each installment of Fixed Rental shall be paid to the Lessor by wire transfer (identifying the same as a payment of Fixed Rental relating to USLFI Trust No. 6) to the address provided for payments in Section 20.1 hereof; provided that if the Lessee shall have received written notice from the Lessor or any assignee under Section 16 hereof in respect of Fixed Rental payable for any Item of Equipment (herein referred to, together with its successors and assigns, as the "Assignee") with respect to such Item of Equipment, during the continuance of an Event of Default under the Primary Lease to the knowledge of the Lessee, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such Assignee; and provided further

that in the event such notice shall direct the Lessee to divide such installment into not more than six portions and to pay each portion by wire transfer separately to not more than six parties, the Lessee agrees to do so;

(b) The entire amount of any payment of Casualty Value in respect of any Item of Equipment pursuant to Section 11 hereof shall be paid to the Lessor by wire transfer (identifying the same as a payment of Casualty Value relating to USLFI Trust No. 6) and forwarded to the Lessor to the address provided for payments in Section 20.1 hereof; provided that in the event either the Lessor or the Assignee in respect of such Item of Equipment shall notify the Lessee in writing that the right to receive payment of such Casualty Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer or in such other manner and to such address designated in such notice or as otherwise designated from time to time in writing by such Assignee;

(c) The amount of any payment owing to the Lessor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.2 hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease or the payments due hereunder pursuant to Section 16 hereof;

(d) The amount of any interest due in respect of the late payment of amounts pursuant to Section 20.2 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(e) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or an Assignee, in which case the Lessee shall reimburse the Lessor or such Assignee, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and otherwise by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been provided in writing.

2.4. Adjustment of Rentals. In the event that (i) any Item of Equipment shall fail to be delivered and accepted hereunder on or prior to June 30, 1979, or (ii) pursuant to Section 2.1(b) of the Participation Agreement, the Owners advance more than 35.797% of the Purchase Price (as therein defined) of any Item of

Equipment by reason of the failure of any Note Purchaser to purchase Notes on any Closing Date to provide financing for such Item of Equipment, then the Lessee and the Lessor agree that the installments of Fixed Rental and the Casualty Values (as defined in Section 11 hereof) in respect of the affected Items of Equipment shall be increased by the amount of the increase in the Fixed Rental payable under the Primary Lease due to the aforementioned causes which increase shall be equally divided among and payable with the installments of Fixed Rental hereunder payable on and before each payment of Fixed Rental under the Primary Lease and the Casualty Value under this Lease shall be increased by the same amount as the Casualty values payable under the Primary Lease have been increased due to the aforementioned causes.

2.5. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Fixed Rental and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor, the Owner-Trustee or the Owners under this Lease or otherwise or against any Assignee ; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover

all or any part of such payment from the Lessor or any Assignee for any reason whatsoever.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate on November 17, 1996.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor and the Lessee agree that the Owner retains full legal title to the Equipment notwithstanding the leasehold interest of the Lessor therein or the delivery thereof to and possession and use thereof by the Lessee hereunder.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Owned by Wells Fargo Bank, National Association,
as Trustee, and Subject to a Security Interest
Recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Owner-Trustee to such Item of Equipment, its rights and the rights of the Lessor under the Primary Lease and the rights of any Assignee. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except in accordance with a statement of new road numbers to be substituted therefor, which statement previously shall have been delivered to the Lessor, the Owner-Trustee and any Assignee in respect of such Item of Equipment by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership;

provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY EITHER THE LESSOR, THE OWNER-TRUSTEE OR ANY OWNER, EACH EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE OWNER-TRUSTEE'S TITLE THERETO, OR THE LESSOR'S INTEREST THEREIN, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS AMONG THE OWNERS, THE OWNER-TRUSTEE THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have against the Manufacturer, provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor and the Owner shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as among the Owner-Trustee, the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Owner-Trustee or the Lessor based on any of the foregoing matters.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Owners, the Owner-Trustee,

the Lessor and any Assignee (including, without limitation, the Note Purchasers) and their respective successors and assigns from and against:

(a) any and all loss or damage to the Equipment, usual wear and tear excepted; and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to any Item of Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent, trademark or copyright infringements, or (iv) as a result of claims for negligence, gross negligence or strict liability in tort.

The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

6.2. Continuation of Indemnities and Assumptions.

The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the

Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in the Owner-Trustee.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, qualified for use in interchange. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and the Owner-Trustee and any assignee pursuant to Section 16 hereof which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Owner-Trustee without cost or expense to the Lessor or the Owner-Trustee. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, and any other liens or charges which arise by virtue of claims against, through or

under any party other than the Lessor or the Owner-Trustee, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the Owner-Trustee or the security interest or other rights of any Assignee in and to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FURTHER ASSURANCES; PAYMENT OF STATE AND LOCAL TAXES.

10.1. Further Assurances. It is understood that the Lessor will, at its sole expense, cause this Lease, the Primary Lease and the Security Agreements to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as the Lessor, the Owner-Trustee or any Assignee may reasonably request and will furnish the Lessor, the Owner and such Assignee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor, the Owner-Trustee or any Assignee, for the purpose of protecting the Owner-Trustee's title to, or such Assignee's security interest in, or the Lessor's leasehold estate in, any Item of Equipment to the satisfaction of the Lessor's, the Owner-Trustee's or such Assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor, the Owner-Trustee and such Assignee proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessor will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of State and Local Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Owner-Trustee, the Lessor and any Assignee (including, without limitation, the Note Purchasers) (the "Indemnitees") for collection or other charges and will be free of expense to the Indemnitees with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax [and, to the extent that any respective Indemnatee receives credit therefor against its United States Federal income tax liability, any foreign income tax of such Indemnatee] payable by any respective Indemnatee in consequence of the receipt of payments provided herein and other than the aggregate of all net income or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would

be payable to the state and city in which such Indemnatee has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease, the Primary Lease, or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Agreements, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon any Indemnatee solely by reason of its interest with respect thereto and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the interest of any Indemnatee therein or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Indemnatee, adversely affect the interest of any Indemnatee hereunder or under the Security Agreement covering such Item of Equipment. If any Impositions shall have been charged or levied against any Indemnatee directly and paid by such Indemnatee after such Indemnatee shall have given written notice thereof to the Lessee and the same shall have remained unpaid for a period of ten business days thereafter, the Lessee shall reimburse such Indemnatee on presentation of invoice therefor. Prior to making such payment, such Indemnatee shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either prepare and file such reports in such manner as to show as required the interests of each Indemnatee in such Items of Equipment or, if it shall not be permitted to file the same, it will notify each Indemnatee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to each Indemnatee and deliver the same to each Indemnatee within a reasonable period prior to the date the same is to be filed.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration

of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee agrees that it will at all times during the term of this Lease and during any storage period hereunder and at its own cost and expense keep each Item of Equipment insured against loss by fire, windstorm and explosion and with extended coverage and against such other risks and in such amounts as are customarily insured against by similarly situated railroad companies but in no event less than the Casualty Value of such Item of Equipment as of the next following date of payment thereof and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$10,000,000 in the aggregate in any single occurrence. Any such property insurance may have deductible provisions to no greater extent than \$1,000,000 in the aggregate in any single occurrence, and any public liability insurance may have deductible provisions to no greater extent than \$2,000,000 in the aggregate in any single occurrence. All such insurance shall cover the interest of the Lessor, the Lessee, the Owner-Trustee, the Owners and any Assignee in the Equipment or, as the case may be, shall protect the Lessor, the Lessee, the Owner-Trustee, the Owners and any Assignee in respective risks arising out of the condition, maintenance, use, ownership and operation of the Equipment and shall provide that losses, if any, in respect to the Equipment shall be payable to the Lessee, the Lessor, the Owner-Trustee and the Owners as their respective interests may appear; provided, however, that upon receipt by the Lessee of notice of the assignment of this Lease and the rents and other sums payable hereunder the Lessee shall cause the property insurance on the Equipment to provide that the losses, if any, with respect to any Item of Equipment shall be payable (except as provided below) to the Assignee in respect to that Item of Equipment under a standard mortgage loss payable clause satisfactory to the Lessor, the Lessee, the Owner-Trustee, the Owners and such Assignee. All policies of insurance maintained pursuant to this Section shall provide that 30 days' prior written notice of cancellation shall be given to any Assignee in respect of the Equipment covered thereby, the Owner-Trustee, the Owners and the Lessor and that such insurance as to the interest of the Lessor, the Owner-Trustee, the Owners or such Assignee therein shall not be invalidated by any act or neglect of the Owner-Trustee, the Owners, the Lessor or the Lessee or by any foreclosure or other remedial proceedings or notices thereof relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or with respect thereto or by the use or operation of the Equipment for purposes more hazardous than is permitted by such policy.

No such policy shall require co-insurance. The loss, if any, with respect to any Item of Equipment shall be adjusted only with the approval of the Lessee, the Lessor, the Owner-Trustee, the Owners and the Assignee in respect of that Item of Equipment. All such policies shall provide that the loss, if any, thereunder shall be adjusted and paid as provided in this Lease. The Lessee shall further furnish the Lessor, the Owner-Trustee and each Assignee with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. All insurance provided for in this Section shall be effective with insurance companies approved by the Lessor, the Owner-Trustee, the Owners and each Assignee, which approval shall not be unreasonably withheld.

The proceeds of any property insurance received by the Lessor, the Owner-Trustee, the Owners or any Assignee (i) if the Item of Equipment in respect of which such proceeds were received have been repaired, restored or replaced, such proceeds will be paid to the Lessee either upon a written application signed by the Lessee for payment of, or to reimburse the Lessee for payment of, the costs of repairing, restoring, or replacing the Item of Equipment which has been lost, damaged or destroyed (which application shall be accompanied by satisfactory evidence of such cost and the completion of such repair, restoration or replacement) or (ii) if this Lease is terminated with respect to such Item of Equipment because of the destruction thereof such proceeds will be applied in accordance with Section 11.5; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor hereunder, such proceeds may be applied against such liability.

11.2. Notice of Casualty Occurrence. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or title or use thereof shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds the then remaining term of this Lease (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Owners, the Owner-Trustee, the Lessor and any Assignee in respect thereof pursuant to Section 16 hereof in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the next succeeding rent payment date under the Primary Lease set forth in Schedule C hereto following its knowledge of a

Casualty Occurrence with respect to any Item or Items of Equipment, shall pay to the Lessor the Fixed Rental installment due on such payment date for such Item of Equipment plus any rentals or other sums due on or prior to such date then remaining unpaid plus a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment.

11.4. Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date specified in Section 11.3 hereof shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Owner-Trustee, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. All amounts arising from the disposition of any Item of Equipment, together with any insurance proceeds, damages, requisition or condemnation payments or awards paid or payable in respect of such Casualty Occurrence, shall be the property of the Lessor subject to the terms of the Primary Lease, provided that so long as no Event of Default shall have occurred and be continuing hereunder the Lessee shall be entitled to retain or be reimbursed therefrom an amount up to the Casualty Value attributable to such Casualty Occurrence actually paid by the Lessee pursuant hereto. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such date of payment.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and all rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident

to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of or title to any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay all installments of rental and other sums shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession. If at the end of the then current term of this Lease any Item of Equipment is then owned or held by any governmental authority under the power of eminent domain or otherwise and this Lease shall not then be renewed pursuant to Section 18 hereof, from and after such date the party then entitled under Section 11.8 of the Primary Lease to receive and retain all sums payable by such governmental authority as compensation for requisition or taking of possession shall be entitled to receive such sums for its own account.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before April 1, 1980 and annually thereafter, the Lessee will furnish to the Owner-Trustee, the Lessor and any Assignee thereof an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor, such Assignee of the Owner-Trustee may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor, the Owner-Trustee, the Owners and any Assignee thereof (including, without limitation, each of the Note Purchasers) each shall have the right, at their respective sole cost and expense, by their respective authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment. All amounts earned in respect of the Equipment after the date of expiration of this Lease, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

- (a) Default shall be made in the payment of any part of the rental or Casualty Value provided in Section 2 or 11 hereof and such default shall continue for ten days;

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof;

(c) Default shall be made in the observance or performance of any of the covenants, conditions and agreements on the part of the Lessee contained in Section 11.1 of this Lease;

(d) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement and such default shall continue for 20 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made (i) by the Lessee herein or in the Purchase Order Assignment or the Participation Agreement or in any statement or certificate furnished to the Lessor, the Owner-Trustee, any Owner or any Note Purchaser pursuant to or in connection with this Lease, the Purchase Order Assignment or the Participation Agreement, or (ii) by the Sublease Guarantor in or pursuant to or in connection with the Sublease Guaranty or in the Participation Agreement or in any statement or certificate furnished to the Owner-Trustee, any Owner, the Lessor or any Note Purchaser pursuant to or in connection with this Lease, the Participation Agreement or the Sublease Guaranty proves untrue in any material respect as of the date of issuance or making thereof;

(f) Default shall be made in the observance or performance of any of the covenants and agreements on the part of the Sublease Guarantor contained in the Sublease Guaranty or in the Participation Agreement and such default shall continue for twenty (20) days after written notice from the Lessor to the Lessee and the Sublease Guarantor specifying the default and demanding that the same be remedied;

(g) The Lessee or the Sublease Guarantor becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for the Lessee or the Sublease Guarantor or for the major part of its property;

(h) A trustee or receiver is appointed for the Lessee or the Sublease Guarantor or for the major part of its property and is not discharged within sixty (60) days after such appointment;

(i) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said

Section 77 may be hereafter amended, shall be filed by or against the Lessee, and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to the obligations incurred by such trustee or trustees within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

(j) Any other proceedings shall be commenced by or against the Lessee or the Sublease Guarantor for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) and all the obligations of the Lessee under this Lease or the obligations of the Sublease Guarantor under the Sublease Guaranty shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or the Sublease Guarantor or for the property of the Lessee or the Sublease Guarantor in connection with any such proceedings or otherwise given a status comparable to obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(k) The Lessee or the Sublease Guarantor shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering material real or personal property, and the applicable grace period with respect thereto shall have expired.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall be assigned to an Assignee pursuant to Section 16 hereof, such Assignee, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided;

and thereupon, the Lessor or such Assignee, as the case may be, may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor, such Assignee or the Security Trustee, as the case may be, shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor or such Assignee, as the case may be, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor or such Assignee, as the case may be, reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 5% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess of any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor or such Assignee, as the case may be, reasonably estimates to be the Fair Market Value thereof at such time; provided, however, that in the event the Lessor or such Assignee, as the case may be, shall have sold any Item of Equipment, such party, in lieu of collecting any amounts payable thereto by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect thereto may, if it shall so elect, demand that the Lessee pay such party and the Lessee shall pay to such party, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor or such Assignee, as the case may be, shall

have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of Section 14.2 above, the Fair Rental Value for any Item of Equipment shall be determined in the appraisal arrangements specified in Section 18.2(b) hereof and the Fair Market Value for any Item of Equipment shall be determined in a similar manner with appropriate adjustments for sale rather than rental, with any appraisal expenses to be borne by the Lessee; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor or any Assignee, as the case may be, shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Failure to Exercise Rights. The failure of the Lessor or such Assignee, as the case may be, to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, the Owner-Trustee and such Assignee, promptly upon becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof and indicating the intention or expectation of the Lessee as to the disposition thereof.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor, the Owner-Trustee or any Assignee (including, without limitation, any Note Purchaser) shall terminate this Lease pursuant to Section 14 or Section 17.4 hereof, the Lessee shall forthwith deliver possession of

the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select; provided that, in the event the Lessor shall designate storage tracks which are then unavailable either because such tracks are then being used to store equipment owned by a third party pursuant to a contractual obligation of the Lessee to provide storage therefor or because the storage of the Items of Equipment on such tracks would materially impair the ability of the Lessee to meet its obligations to perform services as a common carrier to the public, then the Lessee agrees to so store the Items of Equipment upon such other storage tracks as shall then be so available and nearest to such storage tracks designated by the Lessor;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

All amounts earned in respect of the Equipment after the date of termination of this Lease, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor or in the event this Lease has been assigned pursuant to Section 16 hereof, to such Assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such Assignee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor or, in the case of such assignment, to such Assignee for each day thereafter an amount equal to the amount, if any, by which the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor or such Assignee (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor and any such assignee may in turn reassign such rights and interests, in either case without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor or its assigns except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee or its assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of all such assignees in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Owner-Trustee's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee, or its assignee in the case of a further assignment thereby, shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those

rights, privileges and remedies relating to amounts payable to the Lessor pursuant to Sections 6, 10.2, 11.1 [with respect to public liability insurance], 19 and 20.2 hereof which shall remain enforceable by the Lessor or the Owner-Trustee, as the case may be), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor. In the event that separate assignments are executed by the Lessor in respect of this Lease and the rental and other sums due and to become due hereunder, insofar as the same relate to Items of Equipment described in Schedule A hereto, or in the event that such assignment or assignments are in effect with respect to only a part of such Equipment, so long as such separate or partial assignments remain in force and effect this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of Equipment covered by each such separate assignment and for Equipment which is not covered by an assignment, all to the same extent and with the same force and effect as though a separate lease had been entered into by the Lessor and the Lessee in respect of such Equipment, and the Lessor and the Lessee may, and at the request of any Assignee shall, execute a separate instrument in the form hereof covering the Items of Equipment so assigned to such Assignee.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION; PRIORITY OF LEASE.

17.1. Lessee's Rights to the Equipment. Subject to the provisions of Section 17.4 hereof, so long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Owner-Trustee, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. Subject to the provisions of Section 17.4 hereof, so long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly

by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract and also to permit the use of any Item of Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States. The Lessee further agrees that, anything in this Section 17.2 to the contrary notwithstanding, the use of the Equipment outside the continental United States shall be de minimus. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee.

Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignee, successor or transferee shall have duly assumed the obligations of the Lessee hereunder and will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease or have a net worth less than the net worth of the Lessee immediately prior to such effectiveness, and that such merger or consolidation or acquisition of Properties shall not alter in any way the Lessee's obligations to the Lessor and the Owner-Trustee hereunder which shall be and remain those of a principal and not a surety.

17.4. Priority of Owner-Trustee's and Assignee's Interests in Equipment. Anything in Section 17.1 or 17.2 to the contrary notwithstanding, the Lessee's rights hereunder to the possession, use and enjoyment of the Equipment otherwise in accordance with the terms hereof shall be subject to the rights of the Owner-Trustee in and to each Item of Equipment and the rights of any Assignee including without limitation any Note Purchaser, in respect of such Item of Equipment, and the Lessee confirms and agrees that its rights and interests under this Equipment Sublease are in all events subject and junior to the rights and interests of the Owner-Trustee and any such Assignee. Upon notice to the Lessee by the Owner-Trustee or such Assignee that an Event of Default has occurred and is continuing under the Primary Lease, the Owner-Trustee or such Assignee may require that all rentals and other sums due hereunder in respect of such Item of Equipment shall thereafter be paid directly to the Owner-Trustee or such Assignee and that in the event the Primary Lease shall have been terminated in respect of any Item of Equipment pursuant to Section 14.2(b) thereof, the Owner-Trustee or such Assignee in respect of such Item of Equipment may, at its option, by written notice to the Lessee within one year after the date of such termination,

(a) require the Lessee to enter into an agreement in form and substance satisfactory to the Owner-Trustee or such Assignee, as the case may be, and its counsel, attorning to and recognizing the Owner-Trustee or such Assignee, as the case may be, as the Lessor hereunder and reconfirming all of the obligations of the Lessee hereunder, or

(b) terminate this Lease and require prompt delivery by the Lessee of such Items of Equipment to the Owner-Trustee or such Assignee, as the case may be, in accordance with the provisions of Section 15 hereof.

Until the Lessee shall have received any such written notice from the Owner-Trustee or such Assignee requiring attornment or terminating this Lease, the Lessee shall be and remain fully obligated hereunder notwithstanding the continuance of any Event of Default under the Primary Lease or the termination thereof pursuant to Section 14.2(b) thereof.

SECTION 18. RENEWAL OPTIONS.

18.1. Renewal Options. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for five renewal terms, each such renewal to be for a term of one year, upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Fixed Rental payable for and during each such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment.

Each renewal term shall commence immediately upon the expiration of the preceding term; subject only to the right of the Lessee to cancel its election to renew not less than 195 days prior to the date of commencement of such renewal term as provided in Section 18.1(b) hereof. The Lessee shall give the Lessor and the Owner written notice of any such election to renew this Lease at least 375 days prior to the commencement of any renewal term provided for in this Section 18.1.

(b) The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before 270 days prior to the date of

commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 240 days prior to the date of commencement of the renewal term elected by the Lessee, determined on the basis of an appraisal made by a third appraiser chosen by the American Arbitration Association. If either the Lessor or Lessee shall fail to choose an appraiser within ten days of the commencement of said 270-day period, then any appraiser so appointed by the other such party shall be the "Appraiser". The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee; provided, however, that at any time during the appraisal procedure or following the determination of Fair Rental Value, but in no event later than 195 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessee may cancel its election to renew this Lease by providing written notice to the Lessor and the Owner-Trustee of such cancellation prior to the commencement of said 180-day period. The Fair Rental Value determined for any purpose of this Lease shall not exceed the same such quantity determined for a comparable purpose under the Primary Lease; and for such purpose the Lessor will allow the Lessee (at the Lessee's sole cost and expense) to negotiate directly with the Owner-Trustee and make such appointments and determinations on behalf of the Lessor as the Lessor shall have the right to make under the Primary Lease. The expenses and fees of the Appraiser shall be borne by the Lessee.

18.2. Right of First Refusal. In addition to the renewal options provided in Section 18.1 hereof, the Lessor and the Lessee hereby agree that the Lessee may also exercise a right of first refusal with respect to any sale of the Equipment by the Owner to the extent and in the manner provided in Section 18.1 of the Primary Lease.

18.3. Delivery of Equipment. Unless the Lessee has elected to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 19. INTEREST ON OVERDUE RENTALS.

Anything to the contrary herein contained notwithstanding any nonpayment of rent due hereunder (other than any amount payable pursuant to Section 20.2 hereof) shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 9.95% per annum (or the lawful rate, whichever is less) on the overdue rentals for the period of time during which they are overdue.

SECTION 20. MISCELLANEOUS.

20.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor: United States Lease Financing,
Inc.
633 Battery Street
San Francisco, California 94111
Attention: President

Payments to the Lessor hereunder
to be made to:

Crocker National Bank, N.A.
One Montgomery Street
San Francisco, California 94104
Attention: Ms. Randi Tom
Operations Assistant
for credit to the United States Lease
Financing, Inc. Account No. 060-453586

If to the Lessee: Stockton Terminal and Eastern Railroad
1330 North Broadway
Stockton, California 95202
Attention: President

or addressed to any such party at such other address as such party shall hereafter furnish to such other parties in writing.

20.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor or, in the case of an assignment by the Lessor pursuant to Section 16 hereof, the Assignee thereunder may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by any such party and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses)

incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate of 9.95% per annum.

20.3. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

20.4. Law Governing. This Lease shall be construed in accordance with the laws of the State of California; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.5. Owner-Trustee as Third Party Beneficiary. Whether or not the Owner-Trustee is expressly designated in any section or provision of this Lease as a party to which any representation, covenant or agreement herein expressed shall be the beneficiary thereof, it is hereby agreed that the Owner-Trustee is and shall be constituted a third party beneficiary to each of the obligations of the Lessee herein set forth.

20.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.


20.7. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

[CORPORATE SEAL]

UNITED STATES LEASE FINANCING, INC.

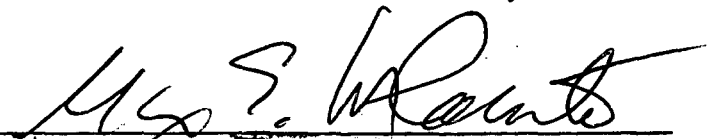
ATTEST:



Secretary

By

its



Vice-President

(CORPORATE SEAL)

STOCKTON TERMINAL AND EASTERN RAILROAD

By Burdett D. Schneider
Its Vice Pres.

STATE OF CALIFORNIA)
) SS
CITY AND COUNTY OF SAN FRANCISCO)

On this 3RD day of MAY, 1979, before me personally appeared MAX E. LeCOURTE, to me personally known, who being by me duly sworn, says that he is

VICE PRESIDENT of UNITED STATES LEASE FINANCING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

OFFICIAL SEAL
WALTER J. MICHAEL
NOTARY PUBLIC - CALIFORNIA
County of San Francisco
My Commission Expires December 6, 1979

Walter J. Michael
Notary Public

My commission expires: DECEMBER 6, 1979

STATE OF CALIFORNIA)
) SS
CITY AND COUNTY OF SAN FRANCISCO)

On this 3RD day of MAY, 1979, before me personally appeared BERDET D. SCHNEIDER, to me personally known, who being by me duly sworn, says that he is VICE PRESIDENT of STOCKTON TERMINAL AND EASTERN RAILROAD, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

OFFICIAL SEAL
WALTER J. MICHAEL
NOTARY PUBLIC - CALIFORNIA
County of San Francisco
My Commission Expires December 6, 1979

Walter J. Michael
Notary Public

My commission expires: DECEMBER 6, 1979

DESCRIPTION OF ITEMS OF EQUIPMENT

| | |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Manufacturer of Equipment: | Pacific Car and Foundry Cars |
| Description and Mark and Number of Items of Equipment: | 152' 6" 70-ton Insulated "RBL" Type Box Cars Marked and Numbered STE 1908 to STE 1963, both inclusive |
| Number of Items of Equipment: | 56 |
| Base Purchase Price of Equipment: | \$51,485 per Item |
| Maximum Aggregate Purchase Price of Equipment: | \$3,172,400 |
| Place of Delivery: | Renton, Washington |
| Outside Delivery Date: | First to occur of (i) the date which is 75 calendar days after the First Delivery Date under the Participation Agreement or (ii) September 30, 1979 |
| Assignee: | Nationwide Life Insurance Company |

(USLFI Trust No. 6)

DESCRIPTION OF ITEMS OF EQUIPMENT

| | |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Manufacturer of Equipment: | Pacific Car and Foundry Cars |
| Description and Mark and Number of Items of Equipment: | 152' 6" 70-ton Insulated "RBL" Type Box Cars Marked and Numbered STE 1964 to 1991, both inclusive |
| Number of Items of Equipment: | 28 |
| Base Purchase Price of Equipment: | \$51,485 per Item |
| Maximum Aggregate Purchase Price of Equipment: | \$1,586,200 |
| Place of Delivery: | Renton, Washington |
| Outside Delivery Date: | First to occur of (i) the date which is 75 calendar days after the First Delivery Date under the Participation Agreement or (ii) September 30, 1979 |
| Assignee: | Indianapolis Life Insurance Company |

(USLFI Trust No. 6)

SCHEDULE A-2
(to Equipment Sublease)

DESCRIPTION OF ITEMS OF EQUIPMENT

| | |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Manufacturer of Equipment: | Pacific Car and Foundry Cars |
| Description and Mark and Number of Items of Equipment: | 152' 6" 70-ton Insulated "RBL" Type Box Cars Marked and Numbered STE 1992 to STE 2007, both inclusive |
| Number of Items of Equipment: | 16 |
| Base Purchase Price of Equipment: | \$51,485 per Item |
| Maximum Aggregate Purchase Price of Equipment: | \$906,400 |
| Place of Delivery: | Renton, Washington |
| Outside Delivery Date: | First to occur of (i) the date which is 75 calendar days after the First Delivery Date under the Participation Agreement or (ii) September 30, 1979 |
| Assignee: | Berkshire Life Insurance Company |

(USLLFI Lease No. 6)

SCHEDULE A-3
(to Equipment Lease)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT SUBLEASE

TO: United States Lease Financing, Inc.
(the "Lessor")

Pacific Car and Foundry Company
(the "Manufacturer")

Wells Fargo Bank, National Association,
as Trustee under USLFI Trust No. 6
(the "Owner-Trustee")

I, a duly appointed and authorized representative of Stockton Terminal and Eastern Railroad (the "Lessee"), in its own corporate capacity and as the authorized agent of the Lessor and the Owner-Trustee, under the Equipment Sublease dated as of July 15, 1978 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under said Equipment Sublease of the following Items of Equipment:

TYPE OF EQUIPMENT: 152' 6" 70-ton Insulated "RBL" Type
Box Cars

MANUFACTURER: Pacific Car and Foundry Company

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF ITEMS:

MARKED AND NUMBERED:

I do further certify that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Owned by Wells Fargo Bank, National Association,
as Trustee, and Subject to a Security Interest
Recorded with the I.C.C."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer for any warranties it has made with respect to the Equipment.

Dated: _____, 19__

(USLFI Trust No. 6)

Inspector and Authorized
Representative of the Lessee

SCHEDULE B
(to Equipment Sublease)